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C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 001914

SIPDIS

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TAGS: [ECON](#) [EAID](#) [ENRG](#) [EPET](#) [PTER](#) [PREL](#) [PK](#)

SUBJECT: PROPOSED ENERGY AND FOOD ASSISTANCE FOR PAKISTAN

REF: A. KARACHI 173

[1](#)B. ISLAMABAD 1585

Classified By: Anne W. Patterson, Reasons 1.4 (b), (d)

[1](#)1. (C) Summary: As follow up from President Bush's May 18 meeting with Pakistani Prime Minister Gilani, Embassy Islamabad has two suggestions for assistance that the Deputies may wish to consider. Post proposes providing USD 180 million over three years for energy and food assistance, two areas that Prime Minister Gilani has described as critical to Pakistan. On energy, we suggest the U.S. consider funding the long-term lease and purchase of power barges to be anchored off the coast of Karachi, transferring ownership of the barges to the Government of Pakistan (GOP) once the lease is complete at the estimated cost of USD 20 million/year for three years (total USD 60 million). This will help stave off civil unrest this summer that would put pressure on the newly formed government.

[1](#)2. (C) Summary continued: On food assistance, we recommend that the U.S. fund school lunch programs at a USD 20 million/year level for three years (total USD 60 million) through the World Food Program and an additional USD 20 million/year for three years (total USD 60 million) through other humanitarian organizations. Food shortages and decreased GOP development spending increase the likelihood that malnutrition-related child deaths, already at over 400,000 per year, will rise. This food assistance will prevent child malnutrition in rural areas and be a visible reminder to the Pakistani people of our commitment. End summary.

Power Barges for Karachi

[1](#)3. (C) Following his May 18 bilateral meeting with President Bush, Prime Minister Yousuf Gilani met with the Ambassador and DCM May 21 and requested additional energy and food assistance.

[1](#)4. (C) Post is aware that that assistance priorities are under review by Deputies. We suggest that the U.S. review possible funding for long-term lease and purchase of power barges to be anchored off the coast of Karachi. Ownership of the barges would be transferred to the Government of Pakistan (GOP) once the lease is complete. As the industrial and commercial engine of Pakistan's growing economy, Karachi's economic deterioration would have widespread repercussions for all of Pakistan.

[1](#)5. (C) Sindh province generates 65 percent of total national revenue and produces 30 percent of the country's GDP. Every summer, rolling blackouts during Karachi's hottest months have led to widespread, violent unrest across the city. Given increased power demand and nation-wide fuel shortages, we expect the situation to be even worse this summer. The problem is compounded by the fact that many of the city's factories are currently operating below capacity due to power

shortages. With a projected energy shortfall of 400 to 500 megawatts per day, up to eight percent of Karachi's 18 million inhabitants are in serious jeopardy of losing their jobs this summer, furthering popular discontent. The city faces worsening energy shortages over the next two years as demand continues to grow.

¶6. (C) Private companies can supply leasing options for Pakistan to secure temporary power, but it makes more sense to purchase the equipment for long-term use. Several private firms supply these platforms worldwide. Barges could be delivered within four to five weeks and can be leased anywhere from three months to three years and produce between two and 200 megawatts of power per day. Generating 100 megawatts of additional power would cost USD 12 million per year, rising to an estimated USD 20 million per year including fuel. Long-term contracts would cost less, with an option to transfer ownership at the conclusion of the contract.

¶7. (C) The procurement of power barges is a short-term solution to ease Karachi's power situation that could forestall further unemployment and unrest. This proposal would be a highly visible gesture and timely signal that U.S. assistance helps the people of Pakistan.

#### More School Lunches -----

¶8. (C) We propose that the U.S. spend USD 20 million per year for three years to expand the current McGovern-Dole Food for Education (FFE) program in rural areas through the World Food Program (WFP) and an additional USD 20 million per year for three years through other humanitarian organizations. This would allow the WFP to expand its

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current 400,000 child school lunch program beyond the earthquake affected region and into other rural areas. At present, Land O'Lakes is ending a program in rural Sindh serving 160,000 girls. FFE is an excellent program which combines food assistance with school attendance. Programs are badly needed in Balochistan, the Northwest Frontier Province (NWFP) and other food insecure areas of Pakistan.

¶9. (C) School lunch programs help keep lower-income students, especially girls, in public schools and out of madrassas. The WFP and UNICEF are increasingly concerned that food shortages will worsen in rural areas. Currently, 38 percent of all Pakistani children are underweight. Over 400,000 children under the age of five die of malnutrition related diseases each year. The GOP has told us that, due to budget shortfalls, it will be hard-pressed to increase its poverty alleviation programs. With the cost of food rising and the GOP unable to increase assistance, malnutrition levels will likely rise in Pakistan's rural areas. Again, food assistance would be a visible reminder to the Pakistani people of our commitment.

PATTERSON